

# Small Holding Company Inspection Scope and Frequency<sup>1</sup>

Asset Size		\$1-\$10 Billion		Less than \$1 Billion	
Complexity <sup>3</sup>		Complex	Noncomplex	Complex	Noncomplex
Type of Rating		Complete holding company rating	Complete holding company rating	Complete holding company rating	Risk management rating and composite ratings only
Scope and Frequency <sup>2</sup>	Rating of 1 or 2	<p><b>Full scope on-site</b> inspection is required <b>annually</b>.</p> <p>Additional follow-up, including interim inspections between regular full-scope, on-site inspections, in response to off-site surveillance program results.</p>	<p><b>Off-site targeted</b> inspection is required every <b>two years</b>.</p> <p>Additional follow-up, including interim inspections between regular full-scope inspections, in response to off-site surveillance program results.</p>	<p><b>Off-site review</b> should be conducted <b>upon receipt of the lead DI exam report or an updated rating</b> from the primary supervisor using surveillance results and relevant supervisory and financial information. If the information obtained off-site is not sufficient for the Reserve Bank to determine the overall condition of the company and to assign a complete RFI rating, the Reserve Bank should conduct an on-site review of the company.</p> <p>Any on-site review should be targeted at those areas where additional information or analysis is needed to assign a complete supervisory rating.</p>	<p>If all subsidiary DIs have a management component rating and a composite supervisory rating of “1” or “2” and no material holding company issues are otherwise indicated, the Reserve Bank should <b>assign only a composite rating and risk management rating to the holding company based on the ratings of the lead DI</b>.</p>
	Rating of 3, 4, or 5	<p><b>Full scope on-site</b> inspection is required <b>annually</b>.</p> <p>If the primary supervisor has conducted an interim examination or changed the rating at the lead depository institution (DI), the Reserve Bank should conduct an additional targeted inspection and update the rating if necessary. The targeted inspection may be conducted off-site and should start within 60 days of receiving the examination report for the lead DI.</p> <p>Additional follow-up, including interim inspections between regular full-scope, on-site inspections, in response to off-site surveillance program results.</p>	<p><b>Full-scope off-site</b> inspection is required <b>annually</b>.</p> <p>If the primary supervisor has conducted an interim examination or changed the rating at the lead DI, the Reserve Bank staff should conduct an additional targeted inspection and update the rating if necessary. This targeted inspection may be conducted off-site and should start within 60 days of receiving the examination report for the lead DI.</p> <p>Additional follow-up, including interim inspections between regular full-scope inspections, in response to off-site surveillance program results.</p>		<p>If one or more subsidiary DIs have a management component rating or a composite supervisory rating of “3,” “4,” or “5” or a material holding company issue is otherwise indicated, an <b>off-site review</b> is required <b>upon receipt of the lead DI exam report or an updated rating</b> from the primary supervisor using surveillance results and relevant supervisory and financial information. If the information obtained off-site is not sufficient for the Reserve Bank to determine the overall condition of the company and to assign a risk management rating and a composite rating, an on-site review should be conducted.</p> <p>On-site reviews should be targeted at those areas where additional information or analysis is needed to develop the risk management and composite ratings.</p>
Report Requirements	Rating of 1 or 2	Standard inspection report format as noted in Section 5010.1, “Procedures for Inspection Report Preparation,” in the <i>Bank Holding Company Supervision Manual</i>		Off-site or on-site reviews will generally consist of the exam reports for the insured DI subs, a copy of the transmittal letter communicating the ratings to the company, info. related to relevant surveillance results, and a memo supporting any on-site review conducted	
	Rating of 3, 4, or 5	Letter-format report of inspection may be prepared as indicated in SR 13-10, “Format for Safety-and-Soundness Reports of Examination and Inspection for Community State Member Banks and Holding Companies Rated Composite ‘4’ or ‘5’.”			

1.) The scope and frequency guidelines listed above are applicable to bank holding companies and savings and loan holding companies.

2.) Full-scope inspection covers all areas of interest to the Federal Reserve in depth; targeted inspections will focus intensely on one or two activities. See the *Bank Holding Company Supervision Manual* Section 5050.0, “Procedures for ‘Targeted’ Inspection Report Preparation,” for more information.

3.) Complexity factors include the size and structure of the company; the extent of intercompany transactions between insured depository institution subsidiaries and the holding company or uninsured subsidiaries of the holding company; the risk, scale and complexity of activities of any nondepository subs; and the degree of leverage at the holding company, including the extent of its debt outstanding to the public. Other factors are also noted in the text of SR-13-21 “Inspection Frequency and Scope Requirements for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of \$10 Billion or Less.”